Annual Report

March 31st 1966

INDUSTRIAL WIRE & CABLE CO. LIMITED

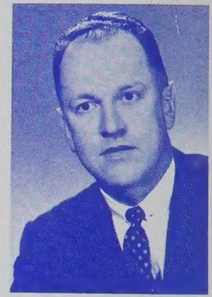
Directors	G. D. Zimmerman	President
	H. D. Percy	Vice-President
	C. P. Clare	President, C. P. Clare & Co.
	J. G. Torrance	Wahn, Mayer, Smith, Creber, Lyons Torrance & Stevenson
	P. M. Forand	President, Forano Ltd.
	R. M. Barford	President, General Steel Wares, Ltd.
	A. D. Russel	President, Hugh Russel & Sons Ltd.
Officers	President	G. D. Zimmerman (P.Eng.)
	Vice-President	H. D. Percy (P.Eng.)
	Secretary-Treasurer	D. C. Cleland (B.A. CA)
	Comptroller	C. D. Jellett (CA)
Auditors	Price Waterhouse & Co.	Toronto, Ontario
Solicitors	Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson	Toronto, Ontario
Transfer Agent	Guaranty Trust Co. of Canada	Toronto, Ontario
Stock Listing	Toronto Stock Exchange	

INDUSTRIAL WIRE & CABLE CO. LIMITED

FINANCIAL HIGHLIGHTS

	1966	1965
Sales (Net)	$17,857,112	$11,141,769
Net Earnings Before Tax	$ 1,309,855	$ 725,177
Per Share	$ 0.78	$ 0.44
Net Earnings After Tax	$ 743,855	$ 565,177
Per Share	$ 0.45	$ 0.34
Capital Expenditures for Plant and Equipment	$ 914,906	$ 406,622
Working Capital	$ 2,060,028	$ 1,912,175
Deferred Income Taxes	$ 421,000	$ 147,000
Per Share	$ 0.25	$ 0.09
Shareholders' Equity	$ 3,191,442	$ 2,437,671
Per Share	$ 1.91	$ 1.47

G. D. ZIMMERMAN
PRESIDENT



President's Letter
To the Shareholders

Over the years it has become a pleasant custom to report to you an improving picture of your company's operations. This year is no exception, in fact it marks the greatest progress to date.

SALES

The sales figures, reported herein for the first time, show the extraordinary growth that has been achieved during the past five years. This year's sales are approximately 7 times those of 1962.

Sales for the year ended March 31, 1966, reached a record $17,857,112, up from $11,141,769 in the preceding year. Approximately half of the increase reflects the consolidation of Lacal Industries Limited on a full year basis. The balance of the increase is the result of improved sales performance in all companies.

Our order backlog at the year end was at an all-time high, with the rate of incoming orders exceeding the same period last year.

FINANCIAL REVIEW

Earnings before income taxes were $1,309,855, an increase of 80% over the prior year. Net profit, after providing for current and deferred income taxes, was $743,855, up 32% over 1965. These earnings are equivalent to 45¢ per share as compared with 34¢ per share in the prior period.

Your management has elected to follow a conservative policy of fiscal reporting intended to present to the shareholders, annual statements that may be compared meaningfully against prior and subsequent years. In addition to the income taxes currently payable, we have provided for deferred income taxes resulting from claiming capital cost allowance for tax purposes in excess of the normal depreciation recorded in our accounts. These provisions remain as working capital of the company for the ensuing year and amount to $421,000 to date.

Cash flow earnings in 1966 amounted to $1,343,240, equivalent to 80¢ per share, up from $994,446 in 1965 or 60¢ per share. These funds have provided for our capital improvement program, retirement of our long-term debt instalments and for a modest increase in working capital.

LACAL INDUSTRIES LIMITED

The consolidated profit was adversely affected by a number of non-recurring charges, including inventory write-offs, in our recently acquired subsidiary, Lacal Industries. This company is operating profitably and provided for the aforementioned charges out of its earnings.

Application of losses of prior periods in Lacal Industries has reduced the provision for income taxes below full corporate rates. We anticipate that by the end of the company's 1967 fiscal year the losses of prior periods available for tax purposes will have been fully utilized.

OPERATIONS

Capital outlays of approximately $915,000 were made in the current year involving expansion of our Cable facilities and additions to Lacal's plants. Completion of the projects in progress will involve additional outlays of approximately $400,000.

The most significant addition was to our Cable operations at the Etobicoke plant. This undertaking is nearing completion and a large portion of the new addition is already in use. We have added significantly to our capability of serving the growing domestic requirements for wire and cable and in addition we can participate more energetically in foreign markets.

Modernization programs were carried out in all three Lacal plants to expand our manufacturing capabilities for poleline and transmission products.

Your company has more than doubled its engineering and technical design staffs. They are actively engaged in power transmission projects and new product development. We are pleased to report that their efforts have resulted in a number of new products, two of which have been awarded patents.

OUTLOOK

The prospects for another buoyant year of sales are excellent. Short term adjustments in business activity related to consumer products have little or no effect on our operations. Our business activity is related to long-term power projects, industrial expansion and, to a degree, major housing programs. All the foregoing are characterized by long-term commitments.

During the past year ,entry was made into the U.S.A. market and promotional activities undertaken in Europe and South America.

At the moment "sales" are not our problem — rather an inadequate supply of copper is our principal concern. The world is facing a critical shortage of this commodity, with demand exceeding production. We believe this situation will continue for a number of years. The problem is aggravated by labour and political unrest in those countries which are the major producers of copper. Canada is fortunate in producing approximately twice the quantity it requires domestically. However, Canadian users have been rationed by producers for the past two years.

The Wire and Cable industry in Canada has an unusual opportunity to develop long-term export business if Canadian copper is made available. It is our conviction that the interests of Canada will be adversely affected if we pursue a policy of permitting irreplaceable natural assets, such as our mineral wealth, to be exported in crude forms rather than as finished products. Canadian secondary manufacturing requires the advantages inherent in an adequate and consistent supply of raw materials in order to penetrate foreign markets.

Anticipating the short supply situation, we took steps to substitute aluminum in products that were normally furnished in copper. We have already produced millions of feet of aluminum conductors for the building trade.

BOARD OF DIRECTORS

It is with regret that we report the resignation of Mr. M. Goldhar from our Board due to the pressure of his many other interests. The Directors and Management of the company wish to record their sincere appreciation for Mr. Goldhar's able and loyal counsel over the past five years.

We welcome to our Board Mr. A. D. Russel, President of Hugh Russel & Sons Ltd. Mr. Russel brings to us many years' experience in the steel warehousing business and allied activities.

SUMMARY

Our people are the company's greatest asset. Their ability, co-operation and loyalty have brought us a long way over the past five years. Their continued efforts will assure we reach new goals. The Directors wish to extend their most sincere appreciation to all our employees for their outstanding performance during the year just ended.

In considering the past year we are particularly appreciative of the good business climate prevailing and the support of our customers and suppliers.

On behalf of the Board

D. Zimmerman

President

INDUSTRIAL WIRE & CABLE CO. LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year ended March 31	
	1966	1965
NET SALES	$17,857,112	$11,141,769
Deduct:		
Cost of products sold and all expenses except items shown below	16,204,727	10,112,203
Depreciation (Note 5)	325,385	282,269
Bond and note interest	17,145	22,120
	16,547,257	10,416,592
EARNINGS BEFORE PROVISION FOR INCOME TAXES	1,309,855	725,177
PROVISION FOR INCOME TAXES (Note 3):		
Current	292,000	13,000
Deferred	274,000	147,000
	566,000	160,000
NET EARNINGS FOR THE YEAR (Note 6)	743,855	565,177
Retained earnings (deficit) at beginning of year	194,321	(370,856)
RETAINED EARNINGS AT END OF YEAR	$ 938,176	$ 194,321

See accompanying notes to financial statements.

INDUSTRIAL WIRE & CABLE CO. LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED MARCH 31, 1966

SOURCE OF FUNDS:		
Net earnings		$ 743,855
Add — Expenses not requiring a current cash outlay —		
Depreciation	$325,385	
Deferred income taxes	274,000	
		599,385
Funds provided from operations		1,343,240
Common shares issued		21,156
Increase in customers' deposits on reels		110,181
		1,474,577
APPLICATION OF FUNDS:		
Additions to fixed assets (net)	914,906	
Preference shares purchased for cancellation	11,240	
Reduction of long-term liabilities	400,578	
		1,326,724
RESULTING IN AN INCREASE OF WORKING CAPITAL OF		147,853
Working capital at beginning of year		1,912,175
WORKING CAPITAL AT END OF YEAR		$2,060,028

CONSOLIDAT

ASSETS	March 31 1966	1965
CURRENT ASSETS:		
Accounts receivable, less allowance for doubtful accounts	$ 2,328,897	$1,910,989
Inventories (Note 1)	3,872,497	3,785,419
Deposits and prepaid expenses	221,724	403,558
	6,423,118	6,099,966
FIXED ASSETS, at cost:		
Land	235,154	233,294
Buildings, machinery and equipment	5,335,478	4,734,108
	5,570,632	4,967,402
Less — Accumulated depreciation	1,835,021	1,821,312
	3,735,611	3,146,090
TRADE MARK AND LICENCES, at cost less amounts written off	19,996	19,996
	$10,178,725	$9,266,052

APPROVED ON BEHALF OF THE BOARD:

G. D. Zimmerman, Director
H. D. Percy, Director

See accompanying n

ALANCE SHEET

LIABILITIES	March 31 1966	1965
CURRENT LIABILITIES:		
Bank advances (secured)	$ 1,838,957	$1,640,973
Accounts payable and accrued liabilities	1,764,936	2,037,037
Income and other taxes payable	419,197	171,181
Current instalments on long-term liabilities	340,000	338,600
	4,363,090	4,187,791
CUSTOMERS' DEPOSITS ON REELS	295,887	185,706
LONG-TERM LIABILITIES (Note 2)	1,907,306	2,307,884
DEFERRED INCOME TAXES (Note 3)	421,000	147,000
	6,987,283	6,828,381
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 4):		
5% cumulative redeemable non-voting preference shares, par value $10 each — Authorized — 31,946 shares Issued — Nil	—	11,240
Common shares, no par value — Authorized — 4,000,000 shares Issued — 1,669,948 shares	2,253,266	2,232,110
	2,253,266	2,243,350
RETAINED EARNINGS	938,176	194,321
	3,191,442	2,437,671
	$10,178,725	$9,266,052

o financial statements.

INDUSTRIAL WIRE & CABLE CO. LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1966

1. Inventories:

Raw materials are valued at the lower of cost or replacement cost. Finished goods and work in process are valued at the lower of cost or net realizable value.

2. Long-term Liabilities:

5¾% First Mortgage Bonds, Series A, payable $50,000 annually to July 1, 1969	$ 175,000
5% note payable January 31, 1967	90,000
Debentures (non-interest bearing)–	
Series A payable not less than $200,000 annually to December 1, 1970 and balance December 1, 1971	1,400,000
Series B payable December 1, 1971, convertible into common shares of the company between December 1, 1970 and December 1, 1971 at the rate of one share for each $1 principal amount of debentures	500,000
Purchase price of preference shares of subsidiary company (subject to adjustment) payable not later than March 31, 1974	82,306
	2,247,306
Deduct — Instalments due within one year included in current liabilities	340,000
	$1,907,306

In addition to the First Mortgage Bonds, Series A, $500,000 First Mortgage Bonds, Series B, have been issued as collateral security for bank advances.

Under the provisions of the Series A and B Debentures, the company must not pay any cash dividends while any of the Series A or B Debentures are outstanding. The company has also covenanted under the trust indenture for the First Mortgage Bonds not to pay any cash dividends, reduce its capital or make any principal payments on the Series A Debentures or the Series B Debentures, unless after making such payments current assets exceed current liabilities by at least $1,000,000.

3. Income Taxes:

Income taxes for the year ended March 31, 1966 have been reduced by approximately $54,000 by application of losses carried forward from prior years.

Provision has been made for deferred income taxes resulting from claiming capital cost allowances for tax purposes in excess of the normal depreciation recorded in the accounts.

4. Capital Stock:

During the year the balance of the issued and outstanding preference shares were purchased for cancellation. Under the terms of the stock option plan for employees and officers of the company, 24,600 common shares were issued for cash of $21,156.

Of the authorized and unissued common shares, 500,000 shares are reserved for possible conversion of Series B Debentures and 48,600 shares are reserved for options granted to employees and officers at prices equal to 82% of the market value at date of grant. The options are exercisable in 1966 for 26,000 shares, in 1967 for 20,600 shares and in 1969 for 2,000 shares.

5. Depreciation Policy:

Effective from April 1, 1965, a subsidiary company acquired in the previous year, changed from the reducing balance method to the straight line method of computing depreciation to conform with the policy of the parent company. Had the previous depreciation procedures been continued, net earnings for the year would have been reduced by approximately $68,000.

6. Non-recurring Charges:

Net earnings for the year have been decreased by an estimated amount of $90,000 by charges in a subsidiary which, in the opinion of management, are non-recurring. For the most part these charges represent inventory write-downs and sales tax assessments.

7. Capital Expenditures:

Expenditures to complete construction in progress amount to approximately $400,000.

PRICE WATERHOUSE & CO.

TORONTO, MAY 19th, 1966.

AUDITORS' REPORT

To the Shareholders of
Industrial Wire & Cable Co. Limited:

We have examined the consolidated balance sheet of Industrial Wire & Cable Co. Limited and subsidiary companies as at March 31, 1966 and the consolidated statement of earnings and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings present fairly the financial position of the companies as at March 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in the method of computing depreciation as referred to in Note 5 to the consolidated financial statements.

Our examination also included the accompanying consolidated statement of source and application of funds for the year ended March 31, 1966 and, in our opinion, it presents fairly the changes in working capital for the year.

Price Waterhouse & Co.

Chartered Accountants.

INDUSTRIAL WIRE & CABLE CO. LIMITED

FIVE YEAR STATISTICAL SUMMARY

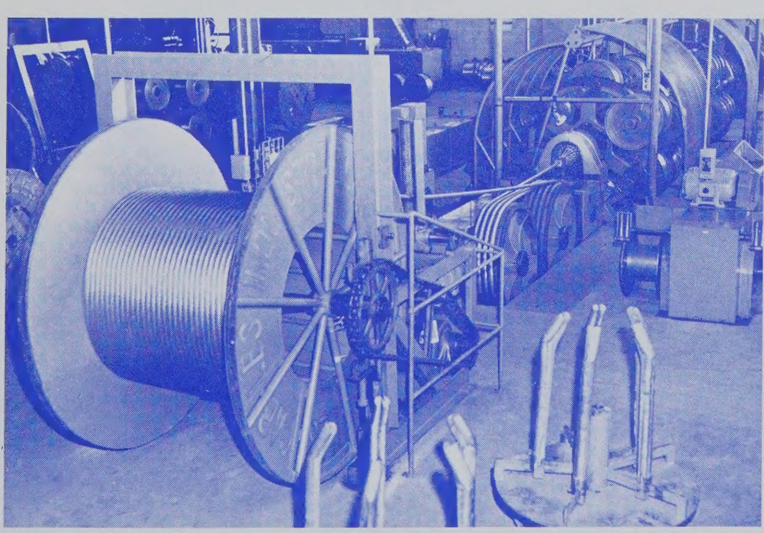
(all dollars in thousands except per share statistics)

	1966	1965*	1964	1963	1962*
Sales	$17,857	11,141	7,811	6,334	2,621
Pre-tax Earnings (Loss)	$ 1,310	725	326	31	(276)
Income Taxes	$ 566	160	—	—	—
Net Earnings (Loss)	$ 744	565	326	31	(276)
Per Common Share	$ 0.45	0.34	0.24	0.03	—
Working Capital	$ 2,060	1,912	1,685	1,679	1,518
Shareholders' Equity	$ 3,191	2,426	1,481	964	933
Percent of Return	23.3	23.3	22.0	3.2	—
Per Common Share	$ 1.91	1.47	1.07	0.80	0.78
Common Shares Issued (end of year)	1,670	1,645	1,389	1,200	1,200
Number of Shareholders	650	481	272	259	263
Number of Employees	505	458	196	181	90
Total Assets	$10,179	9,266	5,530	4,588	5,070

* 1962 and 1965 were years in which major acquisitions were undertaken. The figures for these years include operations of newly acquired subsidiaries for 2 and 3 months respectively.

INDUSTRIAL WIRE & CABLE CO. LIMITED

Customer:	Manitoba Hydro.
Order:	281,000 lbs. ACSR 795,000 Circular Mils—Aluminum Conductor Steel Reinforced.
Reels:	84 inch diameter weighing 14,000 lbs. each.
Delivery:	On site 10 days ahead of schedule.



42/7 1361 MCM ACSR "BERSIMIS" Conductor for Hydro Quebec in process of manufacture in our Quebec City plant.

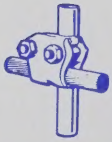
Stranding machine shown, was designed and built by our company.

DEPENDABLE PRODUCTS BY LACAL INDUSTRIES LIMITED

31′ LACAL Sectional Steel Poles
400 Watt Mercury Luminairies

6′ Double LACAL Arms
Ballasts in base of pole

Markham Shopping Centre, Markham, Ontario



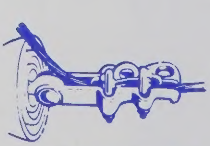
GROUNDING CONNECTOR

SINGLE SHEAVE TRAVELLER

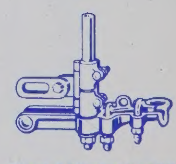
MULTI SHEAVE TRAVELLER

HOT LINE SUSPENSION CLAMP

HOT LINE DAMPER

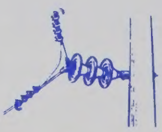


STRAIGHT LINE DEAD END CLAMP

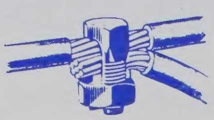


STRAIGHT LINE DEAD END CLAMP WITH PIGTAIL CONNECTOR

4-WAY EXPANDING ANCHOR

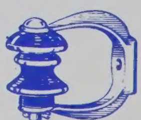


CORNER STRAIN CLAMP

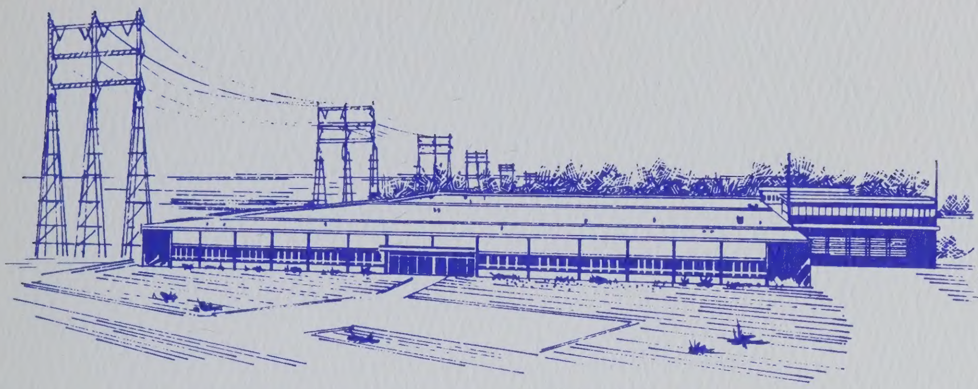


SPLIT BOLT CONNECTOR BLACKBURN

SCREW ANCHOR



CLEVIS



HEAD OFFICE — INDEX ROAD, TORONTO

Industrial Wire & Cable Co. Limited

Manufacturing Plants:	Toronto, Ont.
	Quebec, Que.

Lacal Industries Limited

Manufacturing Plants:	Newmarket, Ont.
	Brantford, Ont. (Barnard Foundries Limited)
	Montreal, Que.

Joint Sales Offices

Vancouver, B.C.
Edmonton, Alta.
Winnipeg, Man.
Toronto, Ont.
Newmarket, Ont.
Montreal, Que.
Quebec, Que.
Stellarton, N.S.

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